



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Scott H. Strauss, Esq.
Spiegel & McDiarmid, LLP
1333 New Hampshire Avenue, NW
Washington, DC 20036

APR 15 2009

RE: MUR 6100
Covanta Energy Corp.

Dear Mr. Strauss:

On April 2, 2009, the Federal Election Commission reviewed the allegations in your complaint dated October 20, 2008, and found that on the basis of the information provided in your complaint, and information provided by the respondents, there is no reason to believe Covanta Energy Corporation, Covanta Energy Corporation Political Action Fund and Joanne Pagliuca, in her official capacity as treasurer, violated 11 C.F.R. § 114.6. Accordingly, on April 2, 2009, the Commission closed the file in this matter.

Documents related to the case will be placed on the public record within 30 days. See Statement of Policy Regarding Disclosure of Closed Enforcement and Related Files, 68 Fed. Reg. 70,426 (Dec. 18, 2003). The Factual and Legal Analysis, which more fully explains the Commission's findings is enclosed.

The Federal Election Campaign Act of 1971, as amended, allows a complainant to seek judicial review of the Commission's dismissal of this action. See 2 U.S.C. § 437g(a)(8).

Sincerely,

A handwritten signature in cursive script that reads "Sidney Rocke".
Sidney Rocke
Assistant General Counsel

Enclosure
Factual and Legal Analysis

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

MUR 6100

RESPONDENTS:

**Covanta Energy Corporation ("Covanta")
Covanta Energy Corporation Political Action Fund
and Joanne Pagliuca, in her official capacity
as treasurer ("PAC")**

I. INTRODUCTION

Complainant Local 369, Utility Workers Union of America, AFL-CIO ("Local 369") alleges that Covanta Energy Corporation ("Covanta") solicited contributions from its employees for the benefit of its federal PAC, Covanta Energy Corporation Political Action Fund ("PAC"), in a manner that violated the regulatory requirements set forth in 11 C.F.R. § 114.6. Specifically, the complaint alleges Covanta solicited employees outside of its restricted class, but failed to notify the union of its intention to make such a solicitation and offered a "payroll deduction" method of payment for employee contributions without offering that same payroll method to employees for payment of union contributions, in violation of 11 C.F.R. §§ 114.6(c) and (e). Because it appears that the solicitations alleged by Local 369 were made by Covanta on behalf of its state, as opposed to federal, PAC, this allegation appears to be without merit. Local 369 also alleges that Covanta solicited employees through its employee handbook, in violation of 11 C.F.R. §§ 114.6(c) and (e). Covanta directly rebuts the allegations in the complaint and correctly asserts that the relevant paragraph in Covanta's employee handbook does not rise to the level of a solicitation.

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Based on the available information discussed below, the Commission finds no reason to believe a violation occurred and closes the file.

II. FACTUAL SUMMARY

Local 369 represents 128 employees working at a waste-to-energy plant owned and operated by Covanta. In mid-2008, Local 369 became aware that Covanta was soliciting donations from Covanta employees for its PAC. Local 369 alleges in its complaint that Covanta solicited employees for contributions to Covanta's federal PAC, failed to notify Local 369 of its intention to make such solicitations, and failed to make the "method" used by Covanta to conduct the solicitation available to Local 369. Complaint at 1-2.

Local 369 then states in the complaint that Covanta was soliciting contributions to its federal PAC through a paragraph in its Policy of Business Conduct ("employee handbook" or "handbook"), given to new employees and certified annually by existing employees as having been read. Complaint at 6. This paragraph states:

Primarily in order to make contributions to federal political candidates or committees, we have established a federal political action committee (or "PAC"). Contributions to the PAC by eligible employees are voluntary. Whether an employee contributes or not results in no favor, disfavor or reprisal from Covanta. The PAC will comply with all related federal and state laws.

Complaint at 6; Attachment 11 at 11.

As support for this allegation, Local 369 asserts that the receipt of unitemized contributions reported from 2007 to 2008 by Covanta's federal PAC indicates successful solicitations of Covanta employees. In 2006, Covanta PAC reported no unitemized contributions. In 2007, Covanta PAC reported \$18 in unitemized contributions. In 2008, Covanta PAC reported \$3,355.53 in unitemized contributions. Complaint at 7. In its response,

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Covanta argues that the language in its employee handbook does not rise to the level of a "solicitation." Therefore, the act of distributing the handbook, without more, is not a violation of the Act as alleged in the complaint. Response at 7-8. Covanta further responds that it does offer members of the restricted class the option of contributing to its PAC via payroll deduction, which may account for the unitemized contributions. Response at 10-11.

III. ANALYSIS

Local 369's first allegation is that Covanta solicited employees for contributions to Covanta's federal PAC, failed to notify Local 369 of its intention to make such solicitations, and failed to make the "method" used by Covanta to conduct the solicitation available to Local 369. However, it appears that both Local 369 and Covanta agree that the solicitations Local 369 was referring to were actually solicitations for Covanta's state PAC, not its federal PAC. Complaint at 5-6; Attachment 10; Response at 10. After several communications between counsel for Local 369 and Covanta, Covanta informed Local 369 that while there had been a solicitation, it had in fact been a solicitation for a state PAC and, therefore, not subject to federal election law or regulations. After being presented with this information, Local 369 did not attempt to rebut Covanta's assertion, nor does it provide any independent information confirming a solicitation by Covanta for its federal PAC. Because this allegation appears to be without merit, we find no reason to believe Covanta or Covanta PAC violated the Act based on this allegation.

Local 369 also alleges that Covanta was soliciting contributions to its federal PAC through a paragraph in its employee handbook. Complaint at 6. Under the Act and Commission regulations, a corporation or separate segregated fund ("SSF") established by a corporation may solicit contributions to the SSF from the corporation's "restricted class," which consists of the corporation's executive and administrative personnel, its stockholders, and their families.

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2 U.S.C. 441b(b)(4); 11 C.F.R. 114.1(c) and 114.5(g). Solicitations beyond the restricted class are generally prohibited. 2 U.S.C. § 441b(b)(4)(A).

In its interpretations of these provisions, the Commission has previously advised that a communication regarding SSF activity is not a solicitation under section 441b where the information provided would neither encourage readers to support the SSF activities nor facilitate contributions to the SSF. Advisory Opinions 2000-7, 1991-3, 1988-2, 1983-38, 1982-65, 1980-65, and 1979-66. The Commission has determined that internal intranet postings and newsletter articles would not be considered solicitations under 2 U.S.C. 441b when they consisted only of limited informational statements without additional encouragement. See Advisory Opinions 2000-7 and 1983-38. These latter communications, the Commission concluded, merely convey information that might engender inquiry, rather than encouraging or facilitating a contribution. *Id.*

In contrast, the Commission determined in Advisory Opinion 1999-6 that a solicitation would occur where a magazine article described the process for an employee to establish automatic monthly deductions to an SSF, provided a telephone number to call for additional information, and included several positive references to the convenience and advantages of using the automatic deduction system. Likewise, the Commission concluded that a solicitation would occur where a corporate newsletter described the fundraising activities of the SSF and contained a quotation from the fund's chairman commending the enthusiasm of employees who had participated in the fund's activities during the past year. Advisory Opinion 1979-13.

We believe that the language in Covanta's employee handbook does not rise to the level of a solicitation because it does not encourage support for the PAC or facilitate the making of contributions to the PAC. See, e.g., Advisory Opinions 2003-14, 2000-7, 1991-3, 1988-2,

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1983-38, and 1982-65. The language in Covanta's employee handbook appears to be merely a statement that the PAC exists, not a solicitation. As such, the Commission finds no reason to believe Covanta violated the Act based on this allegation.¹

Based on reasonable explanations by Covanta and the lack of any corroborating information from Local 369, the Commission finds no reason to believe Covanta or Covanta PAC violated the Act in this matter.

¹ **The premise posited in the complaint that the receipt of unitemized contributions is evidence of illegal solicitations appears to be an unwarranted assumption without corroboration. Further, Covanta acknowledges in its response that it offers members of its restricted class the option of contributing via payroll deduction. According to Covanta, this "method of deduction typically results in small contribution amounts (under \$200 in the aggregate for the calendar year) which accounts for the number of unitemized contributions."**